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AUDIT REPORTS

Follow-up to recommendations of the report of the Board of Auditors for the biennium 1992-1993 (A/49/5/Add.1)

Report of the Administrator

I. INTRODUCTION

1. The Executive Board will recall that a summary of significant observations of external audit reports and audited accounts of executing agencies relating to funds allocated to them by the United Nations Development Programme (UNDP) as at 31 December 1992 was submitted for consideration by the Board at its third regular session 1994 in document DP/1994/37 and Add.1.

2. In accordance with previous Governing Council decisions, General Assembly resolutions 47/211 of 22 December 1992 (para. 10) and 48/216 B of 23 December 1993 (para. 5), the Administrator is bringing to the attention of the Executive Board the report of the Board of Auditors on UNDP for the biennium ending 31 December 1993 (A/49/5/Add.1). The Administrator is also presenting the comments of UNDP concerning the recommendations contained in the report of the Board of Auditors, including a timetable on follow-up actions taken and planned and the status of their implementation.

3. In response to a recommendation from the Board of Auditors and as requested by the Executive Board in paragraph 5 of its decision 94/28 of 10 October 1994, addendum 1 to the present document contains a three-year plan for the utilization of the Reserve for Field Accommodation.

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II. STATUS OF IMPLEMENTATION OF RECOMMENDATIONS OF THE BOARD OF AUDITORS

4. The Executive Board will recall that in 1991 UNDP developed an action-oriented timetable for the implementation of the recommendations of the Board of Auditors, which, in paragraph 11 of its resolution 47/211, the General Assembly noted with appreciation. In paragraph 10 of the same resolution, the General Assembly requested the executive heads of United Nations organizations and programmes to submit an action-oriented report to the General Assembly at its forty-eighth session, outlining steps to be taken in response to the recommendations of the Board of Auditors, including timetables for their implementation. In response to this resolution, UNDP submitted a progress report on the implementation of recommendations contained in the report of the Board of Auditors 1990-1991.

5. In its resolution 48/216 B, the General Assembly noted that, with a few commendable exceptions, most United Nations organizations and programmes had taken no steps to address the requests contained in paragraphs 9 and 10 of its resolution 47/211. At the same time as the recommendations of the Board of Auditors were submitted to the General Assembly, the Assembly reiterated, in paragraph 7 of its resolution 48/216 B, its request, through the Advisory Committee on Administrative and Budgetary Questions (ACABQ), for United Nations organizations and programmes to provide the Assembly at its forty-ninth session with their responses and to indicate measures that would be taken to implement those recommendations, with appropriate timetables.

6. The Administrator wishes to indicate that UNDP submissions to the General Assembly in response to the above-mentioned resolutions, including responses and timetables for implementation of recommendations of the Board of Auditors, are contained in the report of the Secretary-General (A/48/516/Add.1 of 16 August 1994 for the biennium 1990-1991 and A/49/348/Add.2 of 5 October 1994 for the biennium 1992-1993). The report of ACABQ and its comments thereon are contained in document A/49/547.

7. It must be noted that at the time of the preparation of the present document, the Fifth Committee had not considered the item on audit reports. Therefore, its comments and the UNDP response are not reflected herein. Information on any significant comments arising from the Fifth Committee discussions will be reported orally to the Executive Board at its current session.

8. During the course of the audit exercise for the biennium 1992-1993, the Administration provided a detailed written response to all the observations made by the Board of Auditors. A comprehensive summary of those observations, findings, recommendations and UNDP responses are included in the report of the Board of Auditors. The Administration also provided the Auditors with a progress report on the status of implementation of the recommendations contained in their report for the previous biennium, 1990-1991, a summary of which is also provided in their report.

9. The annex to the present document contains, in tabular format, the summary of recommendations as presented in the report of the Board of Auditors for 1992-1993. Each recommendation is listed by area of audit, namely financial matters, management information systems, procurement of goods and services, and programme and project management. The table also provides a summary of the UNDP response to each recommendation as well as the status of any follow-up action and the target date for completion, as at the date of compiling the present document. The Administrator is pleased to report that progress has already been achieved in certain areas and that efforts are being made to address issues which are still outstanding.

III. EXECUTIVE BOARD ACTION

10. The Executive Board may wish to:

1. Express its appreciation for the valuable contributions and recommendations made by the Board of Auditors in assisting the United Nations Development Programme to improve its operations;

2. Note with satisfaction that considerable progress has been made in implementing the recommendations of previous reports of the Board of Auditors;

3. Further note that the Administrator has taken or is taking action to address all recommendations made by the Board of Auditors;

4. Note with appreciation the Administrator's initiatives to establish an effective and efficient accountability mechanism in response to General Assembly resolutions 47/211 and 48/218;

5. Take note of the three-year plan on the utilization of the Reserve for Field Accommodation.

Annex

IMPLEMENTATION OF BOARD OF AUDITORS RECOMMENDATIONS FOR THE 1992-1993 BIENNIUM

Board recommendations	UNDP response	Follow-up actions	Status and target date
Financial matters			
1. UNDP should report to the Executive Board on how the funds held in the reserve for transitional measures will be utilized (paras. 9 (a), 15 and 55).		The reserve was established from the 1992-1993 budget savings in accordance with Governing Council decision 93/35 of 18 June 1993. As reported to the Executive Board at its October 1994 session (DP/1994/35), funds held in the reserve will be utilized for: (a) transitional salary costs relating to the timing of implementing necessary reassignment and separations; (b) additional training; and (c) systems development. In particular, funds will be used to support the implementation of the adopted corporate strategy on information technology, in accordance with the Board's recommendations below on management information systems.	Completed
2. An overall implementation plan should be drawn up for the disposal of [housing] properties in the field (paras. 9 (b), 15 and 56).	UNDP is fully aware of the need to rationalize the housing stock and is actively engaged, where possible, in ending its obligations in respect of those properties. UNDP has accepted the Board's recommendation and is currently devising a detailed timetable and work plan for 1994-1995.	As requested in Executive Board decision 94/28, a three-year work plan is being submitted to the Board in document DP/1995/10/Add.1 for consideration at its first regular session 1995.	Completed
3. UNDP should clarify its guidelines on the definition of unliquidated obligations (paras. 9 (c), 16 and 68).	UNDP agreed to clarify and reissue guidelines.	UNDP has strengthened the year-end instructions sent to all headquarters certifying officers and country offices. Improved procedures for review and certification of year-end 1994 accounts have been issued.	Completed

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Board recommendations	UNDP response	Follow-up actions	Status and target date
4. UNDP and the executing agencies should work together jointly to address the problems with the successor support cost arrangements that were encountered in 1992-1993 (paras. 9 (d), 17 and 76).	UNDP is currently engaged in resolving those discrepancies and will make any necessary adjustments in 1994.	UNDP works closely with the executing agencies through the Inter-Agency Task Force on Support Costs to address evolving policy issues and discuss general operational concerns. In 1994, the Task Force discussed a cost measurement study on technical support services and administrative and operational support rates of reimbursement. Other meetings will be convened to address a variety of issues. UNDP presented a report on support costs arrangements, including the evaluation report of an independent team, to the Executive Board at its October 1994 session (DP/1994/23). Proposed revisions to the UNDP financial regulations will be submitted to the Board at its January 1995 session.	System-wide 1 November 1994
5. UNDP should aim to review and decide all cases involving financial loss and personal responsibility within six months. In addition, when staff are appointed to senior positions with significant financial responsibilities, they should be sent a personal letter of appointment setting out succinctly the nature of those responsibilities and how they will be held accountable (paras. 9 (e), 20, 97 and 98).	The Standing Committee for Personal Responsibility and Financial Liability is a new initiative. As such, there is a process of learning and of developing a body of precedents which impinge on, inter alia, issues of consistency, equity and timeliness. UNDP agrees that it is necessary to shorten the time-span to review and decide on cases. However, the process established requires that due process and fairness to the staff concerned is ensured. While UNDP agrees in principle with the idea of a predetermined time-limit, a certain amount of flexibility is needed. A code of ethics for UNDP staff is in preparation, and action to draft a letter of appointment, for review and consideration by senior management, has been initiated.	The Standing Committee process has been revised to unify administrative and disciplinary processes. New guidelines will be issued by the end of 1994. UNDP will continue to cooperate with the United Nations in the development of an effective accountability system. The UNDP code of ethics, which will take into consideration the United Nations code of conduct currently in preparation, and the letter of appointment are expected to be introduced in 1995.	Ongoing 1 July 1995

Board recommendations	UNDP response	Follow-up actions	Status and target date
Management information systems			
6. The Board recommends that UNDP establish a documented information technology strategy which clearly sets out objectives, priority areas, timetables and resource implications. This will require direct involvement and commitment of senior management throughout UNDP to ensure its successful implementation (paras. 13, 46 and 230).	UNDP agreed with the need for a well-defined corporate strategy. The consensus and commitment of major users to a strategic framework for the management of information technology has been achieved. The implementation of the main components of the strategy will be managed and directed by the Management Advisory Group on Information Systems (MAGIS). Also, the 1994 budget for information technology will be reconfigured to support the realization of the immediate strategic objectives. To facilitate an integrated programme approach for the development of all country office and headquarters systems, UNDP has initiated the Integrated Programme Management (IPM) system, which will be managed and controlled by the IPM Steering Committee, a subset of MAGIS members and country office representatives.	The UNDP information technology strategy is being developed in the context of IPM and the Integrated Management Information Systems (IMIS) as the main components of the strategy. It is anticipated that the process of internal discussions for the formulation of the strategy document will be completed before the end of 1994. (See also item 15.)	Ongoing 31 December 1994

Board recommendations	UNDP response	Follow-up actions	Status and target date
Procurement of goods and services			
7. UNDP should evaluate the potential cost and benefits of sponsoring staff in a formal programme of training [in procurement] (paras. 12 (a), 36 and 186).	UNDP has noted the Board's recommendation on the need to develop staff capacities in procurement as a specialist function and has informed the Board that the Office for Project Services (OPS) plans to institute, by mid-1994, specialized training programmes for procurement staff. Efforts will be made to arrange joint training programmes for both OPS and UNDP staff, with the possible coordination of the Inter-Agency Procurement Services Office (IAPSO).	To date, all headquarters procurement staff have participated in basic procurement training organized by IAPSO. Further training is scheduled for October 1994 and January 1995. OPS is finalizing the contract with a university for the development and implementation of a customized training programme on contracting for services. All OPS staff involved in such contracting will participate. UNDP procurement staff will also benefit from this training, which is scheduled to start in January 1995.	Ongoing 31 January 1995
8. Response rates to invitations to bid should be closely monitored by management to identify the major reasons for non-response and to correct any recurring problems (paras. 12 (b), 38 and 193).	UNDP has agreed to take more action to ensure that the market is being truly tested. OPS now requires procurement officers to explain why an insufficient number of suppliers submitted bids, and also to short-list at least six suppliers for purchases over $30,000 and nine or more for over $100,000.	This matter is also being addressed by UNDP headquarters through the selection of preferred suppliers and a periodic review of such relations. OPS is also addressing this issue as part of its proposal, including revised procurement procedures, to the Executive Board at its October 1994 and January 1995 sessions on ways of establishing OPS as a separate and identifiable entity (DP/1994/62, DP/1995/6 and DP/1995/7).	Ongoing

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Board recommendations	UNDP response	Follow-up actions	Status and target date
9. UNDP should improve its use of suppliers' rosters (paras. 12 (c), 38 and 197).	OPS is addressing the need for improving existing suppliers' rosters in the context of United Nations/IMIS project developments. The OPS suppliers' roster contains about 2,500 suppliers. The OPS Purchasing Section has instituted a new procedure to scrutinize suppliers closely, including financial/technical capacity. In addition, OPS now confirms the viability of a supplier with whom they want to contract for an amount of $100,000 or more.	UNDP has initiated contacts with the United Nations Secretariat in order to access its roster system. In addition, the Common Vendor Database (CVD) developed by IAPSO is now installed in UNDP headquarters, and IAPSO has been provided with information on vendors used by UNDP. Wherever possible, the CVD, which comprises vendors used by all agencies, is being used.	Ongoing
10. UNDP should make more use of public advertising (paras. 12 (d), 38 and 198).	OPS does not normally resort to bid advertising, as it is not considered cost-effective, given the limited staff resources. None the less, UNDP and OPS intend to issue instructions in 1994.	In most cases, public advertising is impractical for headquarters procurement. However, this approach will be used for the selection of preferred suppliers. For larger procurement, both UNDP country offices and OPS make use of the IAPSO monthly procurement bulletin and the "development business" journal.	Ongoing

Board recommendations	UNDP response	Follow-up actions	Status and target date
11. UNDP should consider adopting a more flexible role for the Contracts Committee and invite purchasing specialists from other organizations (public and private) to attend the meetings of the Committee to bolster its expertise in procurement (paras. 12 (e), 39 and 202).	UNDP plans to re-examine the role and purpose, including consideration of introducing elements of flexibility in the scope of review, of the Contracts Committee and the Advisory Group on the Management of Other Support Services (AGMOSS). Revised guidelines will be issued in August 1994. UNDP welcomes the suggestion of the Board to consider inviting purchasing specialists from other organizations, including the private sector. UNDP agrees that the Contracts Committee and AGMOSS should benefit from a better understanding of modern procurement practices. However, there are financial implications in such an arrangement which merit careful consideration. Meanwhile, the Chief Procurement Officer will explore possible arrangements with counterparts at the United Nations and with other agencies in New York.	Proposed revisions to the UNDP financial rules on procurement were approved by the Executive Board at its October 1994 session (DP/1994/34). OPS is addressing this issue, including the creation of a separate Contracts Committee for OPS, as part of its proposal to the Executive Board at its October 1994 and January 1995 sessions on ways of establishing OPS as a separate and identifiable entity (DP/1994/62, DP/1995/6 and DP/1995/7).	Ongoing 31 December 1994

Board recommendations	UNDP response	Follow-up actions	Status and target date
12. UNDP should emphasize to all staff the importance of completing receipt and inspection reports (paras. 12 (f), 42 and 210).	UNDP acknowledges that it has been difficult to achieve compliance in this regard, especially at the country level, where full cooperation with country office end-users, who normally are outside of the purchasers' direct influence, is required. IAPSO has looked into this issue and has reported that most United Nations agencies are reporting similar difficulties in procurement for field operations. At the same time, recognizing the difficulty of obtaining receipt and inspection reports, OPS is exploring the possibility of utilizing the decentralized inventory approach adopted by UNDP for country offices, thereby assigning authority and responsibility to the person who is in charge of the project equipment, wherever possible.	The major component of procurement by UNDP headquarters is office supplies. In this regard, the problem of receiving reports has largely been resolved through revised instructions issued in February 1994. UNDP is currently exploring the possibility of introducing a purchasing card system in order further to resolve the problem of receiving reports and streamline the headquarters procurement process. The viability of this initiative will be determined by the end of 1994.	Ongoing 31 December 1994
13. UNDP [should] introduce performance measures and targets as soon as practicable to assist management in monitoring and assessing the efficiency of procurement activities (paras. 12 (g), 43 and 211).	UNDP appreciates the materials provided by the Auditors on performance measurement and will review this material with the aim of developing some experimental procurement performance measures, bearing in mind that the tailoring of performance indicators to the specific conditions of each unit involved in procurement is a complex and technical task.	UNDP is currently assessing the possibility of introducing a purchasing card system, in an effort to revise the role of its Procurement Unit towards a function of substantive product assessment, vendor selection and contracts management. Performance indicators for this new function will be developed on an experimental basis.	Ongoing 31 December 1994

Board recommendations	UNDP response	Follow-up actions	Status and target date
Programme and project management			
14. UNDP should consider streamlining the Country Programme Management Plan (CPMP) to focus on key issues where headquarters support is required. UNDP might consider moving towards "exception reporting" (paras. 10 (a), 22 and 119).	In order to address the issues cited by the Board, the changes required in UNDP programme management are being addressed systematically through a combined package of initiatives intended to strengthen financial accountability within a decentralized framework of authority. The new initiatives comprise a series of procedural adjustments to facilitate work planning, reporting, monitoring and performance measurement, and to introduce measures for improving programme and project quality. UNDP concurs with the thrust of the Board's recommendation that UNDP should consider streamlining CPMP documentation and move towards "exception reporting", i.e., concentrating on problem areas where headquarters support is required.	A working group on decentralization has been established and is currently revising country office review and reporting procedures, including the CPMP. This review is expected to be completed by the end of 1994.	Ongoing 31 December 1994
15. The Integrated Programme Management (IPM) project should be afforded high priority and be developed as soon as practicable (paras. 10 (b), 23 and 123).	At the operational level, UNDP has put in place a framework to direct and manage the implementation of this project on a priority basis.	The implementation of the IPM project is being actively pursued. The major components are already in operation. The overall conceptual framework for IPM, including a detailed plan and budget for the completion of the project, has been completed. A first set of high-priority activities is to begin before the end of 1994. (See also item 4.)	Ongoing 31 December 1994

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Board recommendations	UNDP response	Follow-up actions	Status and target date
16. UNDP should perform an evaluation of the effectiveness of local Project Appraisal Committees (PACs) as a matter of some urgency (paras. 10 (c) and 134).	In completing the programme management package, the performance of local PACs will be thoroughly reviewed and the results incorporated into the guidelines issued.	A working group on decentralization has been established and is reviewing the role of the various review mechanisms, including the PACs and the Programme Review Committee. The group will report its findings at the end of 1994. Meanwhile, initiatives have been taken by the regional bureaux to ensure that country offices comply with PAC recommendations.	Ongoing 31 December 1994
17. The appraisal process should be reinforced by systematic recording and follow-up of PAC recommendations (paras. 10 (d), 26 and 137).	UNDP agrees with the Board's recommendation; formal procedures to ensure compliance with PAC recommendations will be introduced in the near future.	See item 16.	Ongoing 31 December 1994
18. Suitable guidance, including training, on setting appropriate objectives and measuring their achievement should be provided to programme staff (paras. 10 (e), 27 and 141).	UNDP will take the Board's recommendations into consideration in the determination of training priorities. In addition, UNDP will take steps to improve output definition in ongoing projects where practicable.	See item 16.	Ongoing 31 December 1994
19. All parties involved in a project should formally approve the completed work plan to signify their commitment to achieving project objectives in the proposed time-frame and their agreement that the plan is realistic (paras. 10 (f), 23 and 144).	The Board's recommendations regarding the timely preparation of work plans and the need for a demonstrated commitment by all parties concerned are pertinent in this context.	See item 16.	Ongoing 31 December 1994

Board recommendations	UNDP response	Follow-up actions	Status and target date
20. UNDP should reaffirm the requirement for on-site monitoring of projects (paras. 10 (g), 29 and 155).	UNDP agrees with the principle underlying the Board's recommendation regarding physical inspection of projects, but wish to ensure that, rather than being automatic, such visits should be directed to problem-solving and assigned on a priority basis, as in the Board's recommendation on "exception reporting".	See item 16.	Ongoing 31 December 1994
21. UNDP should introduce a formal mechanism to ensure that lessons learned from project evaluations are disseminated effectively (paras. 10 (h), 33 and 171).	The Administrator has created the new Office for Evaluation and Strategic Planning (OESP) to help ensure that future programming incorporates past lessons.	The OESP has already undertaken a comprehensive review of the use of feedback and will progressively introduce, during 1995-1996, measures to relate evaluation results to management decision-making, including policy, improved oversight of the regional bureaux monitoring system applied in country offices, and dissemination techniques for target clients. All headquarters units will participate in this initiative. The revised monitoring system is expected to be implemented by mid-1995.	Ongoing 1 July 1995

Board recommendations	UNDP response	Follow-up actions	Status and target date
Use of consultants			
22. There is scope for improving the procedures employed by UNDP in the selection and recruitment of consultants to ensure that the potential market is being adequately tested. In particular, the Board recommends that formal records, appropriately signed and reviewed, should be maintained which record the consultants considered for a post, the selection criteria applied, and justification of the final choice (paras. 11, 34 and 176).	UNDP will address these issues in revised guidelines which are currently being drafted and are expected to be issued by July 1994. UNDP also intends to introduce a centralized roster of consultants during 1994.	The Working Group on Special Service Agreements (SSAs) has revised its target date for the completion of the SSA guidelines to December 1994. This date will allow the Working Group to take into consideration the experience gained from the use of Activity of Limited Duration (ALD) contracts, which were introduced on a pilot basis in early 1993. The computerized central consultant roster, jointly managed by UNDP, OPS and UNFPA, with technical assistance from the Bureau for Policy and Programme Support for the screening of applicants, has been established and is currently in operation. The roster will be continually reviewed and updated.	Ongoing 31 December 1994